

## Vt. delegation opposes milk tax

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WASHINGTON -- Vermont dairy farmers would face a new tax on milk production under a budget proposal President Bush announced Monday.

The president's 2007 budget request calls for farmers to pay a 3-cent tax per hundredweight of milk produced. If Congress approves, the tax would begin when the new fiscal year starts Oct. 1.

The administration says the new fee would bring \$578 million to the federal treasury during the next decade and is part of its plan to reduce the federal deficit.

But Vermont's three-man congressional delegation vowed to fight the tax, saying it's unfair to struggling dairy farmers.

"While pressing for even more tax cuts to the wealthy, the president in his budget proposes a brand new tax increase on America's dairy farmers," said a joint statement by Sens. Patrick Leahy, D-Vt., and Jim Jeffords, I-Vt., and Rep. Bernie Sanders, I-Vt.

"This is a morally bankrupt plan to tax hardworking dairy farmers who are already suffering from escalating fuel costs and declining prices for their milk," the statement said. "The administration's proposal to pay for more tax cuts for the wealthy on the backs of family dairy farmers is dead on arrival with us, and we will do all we can to make sure that Congress does not approve it."

Vermont Farm Bureau President Jackie Folsom called Bush's proposal "disheartening."

"This is very discouraging," said Folsom, who owns a small dairy farm in Cabot with her husband. "Dairy farmers don't have any way to get any extra income out of the market to cover the increasing costs of fuel and health care. To think that now we're going to have a new tax on top of our other costs is disheartening and more than a little unfair."

The tax would not affect the cost of a gallon of milk at the grocery store because farmers do not set the price of milk and cannot pass a tax onto consumers. Typically, dairy processors buy milk, bottle it and sell it to grocery stores. Because milk is perishable, farmers are at the mercy of the market. They cannot hold onto their product until prices go up because the milk would spoil.

Lawmakers from New York, Wisconsin and other dairy states also have vowed to fight the tax, which cannot become law without Congress' consent.

They also will try to beat back a Bush plan to cut by 5 percent all federal agricultural subsidies, including the Milk Income Loss Contract program, which provides payments to farmers when prices drop below a certain level.